



Chinainfo Holdings Limited
神州資訊控股有限公司*
(Incorporated in the Cayman Islands with limited liability)



* For identification purpose only

Interim Report **2005**

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This report, for which the directors (the "Directors") of Chinainfo Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Turnover of the Group for the six months ended 30th September, 2005 was approximately HK\$1,287,000.
- Net loss attributable to shareholders was approximately HK\$2,757,000 for the six months ended 30th September, 2005.
- Loss per share for the six months ended 30th September, 2005 was approximately HK0.66 cent.
- The board of the Directors (the "Board") does not recommend any payment of dividend for the six months ended 30th September, 2005.

The Directors hereby present the unaudited interim results of the Company together with its subsidiaries (collectively the "Group") for the six months ended 30th September, 2005.

FINANCIAL PERFORMANCE

The Group recorded consolidated turnover of approximately HK\$1,287,000 for the six months ended 30th September, 2005, representing a decrease of approximately 48%, compared to approximately HK\$2,469,000 for the six months ended 30th September, 2004. Approximately 56.4% and 43.6% of the turnover for the six months ended 30th September, 2005 were attributable to the income derived from the provision of real-time financial information services and investor education within the financial market respectively.

The Group incurred a net loss attributable to shareholders of approximately HK\$2,757,000 for the six months ended 30th September, 2005 as compared to approximately HK\$1,274,000 for the corresponding period in 2004. The increase of net loss was mainly attributable to the decrease of turnover and the increase in administrative expenses.

BUSINESS REVIEW

The Group is a multimedia financial information services provider offering a comprehensive range of financial information services which include the provision of (i) real-time financial news and up-to-date financial market commentaries and recommendations through multimedia; (ii) financial programme and video production services; and (iii) investor education within the financial market in Hong Kong.

Provision of real-time financial information services

For the six months ended 30th September, 2005, the revenue derived from the provision of real-time financial information services was approximately HK\$726,000, compared to approximately HK\$684,000 for the corresponding period in 2004. The revenue derived from this source is relatively stable.

Investor education on financial market

Capitalising on the Group's expertise in Hong Kong financial market with its strong database of financial market information and relationship with celebrities, the Group is also engaged in organising seminars and courses focusing on investor education within the financial market.

For the six months ended 30th September, 2005 revenue derived from investor education within the financial market was approximately HK\$561,000, compared to approximately HK\$1,131,000 for the corresponding period in 2004. The decrease in revenue was attributable to the decrease in number of courses organized during the period.

Financial programme and video production services

Apart from sourcing real-time financial information for distribution in multimedia channels, the Group also used to produce financial programmes and corporate videos broadcasting through different media as well as for corporate public relation purposes.

For the six months ended 30th September, 2005, no revenue was derived from the provision of financial programme and video production services (for the six months ended 30th September, 2004: approximately HK\$654,000) as no project was obtained during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE AND PROFITABILITY

The Group recorded consolidated turnover of approximately HK\$1,287,000 for the six months ended 30th September, 2005 (for the six months ended 30th September, 2004: approximately HK\$2,469,000) representing a decrease of approximately 48%, compared to previous corresponding period. Approximately 0%, 56.4% and 43.6% (for the six months ended 30th September, 2004: approximately 26.5%, 27.7% and 45.8%) of turnover for the six months ended 30th September, 2005 were attributable to income from production of financial programmes and videos, provision of real-time financial information services and investor education on financial market respectively.

The Group's gross profit for the six months ended 30th September, 2005 amounted to approximately HK\$1,060,000 (for the six months ended 30th September, 2004: approximately HK\$1,492,000), representing a decrease of 28.9% compared to previous corresponding period whilst the Group's gross profit margin increased to 82.4% (for the six months ended 30th September, 2004: 60.4%), representing an increase of 22% compared to that of previous corresponding period. The higher gross profit margin of the Group for the six months ended 30th September, 2005 was mainly attributable to the increase in gross profit margin from the provision of financial seminars and courses.

Sales, administrative and other operating expenses for the six month ended 30th September, 2005 was approximately HK\$3,067,000, compared to approximately HK\$2,766,000 in the previous corresponding period, which is relatively stable.

NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

The Group incurred net loss attributable to shareholders of approximately HK\$2,757,000 for the six months ended 30th September, 2005 as compared to approximately HK\$1,274,000 for the six months ended 30th September, 2004. The increase of net loss was mainly attributable to the decrease of turnover and the increase in administrative expenses.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30th September, 2005, the Group had outstanding convertible bonds at a nominal value of HK\$5 million (as at 31st March, 2005: Nil). The convertible bonds bear interest at a rate of 4% per annum and mature in May 2007. The Group did not have any other committed borrowing facilities as at 30th September, 2005 (as at 31st March, 2005: Nil).

As at 30th September, 2005, the Group had net current assets of approximately HK\$18,349,000 (as at 31st March, 2005: approximately HK\$6,417,000). The Group's current assets consisted of cash and cash equivalents of approximately HK\$7,605,000 (as at 31st March, 2005: approximately HK\$4,684,000), accounts receivable of approximately HK\$100,000 (as at 31st March, 2005: approximately HK\$30,000) and deposits and prepayments of approximately HK\$10,644,000 (as at 31st March, 2005: approximately HK\$222,000). The Group's current liabilities consisted of accounts payable of approximately HK\$6,000 (as at 31st March, 2005: approximately HK\$5,000), accrued expenses of approximately HK\$211,000 (as at 31st March, 2005: approximately HK\$239,000), receipts in advance and other payables of approximately HK\$329,000 (as at 31st March, 2005: approximately HK\$125,000).

The gearing ratio, defined as the ratio of total liabilities to total assets, was 20.7% as at 30th September, 2005, compared to 3.0% as at 31st March, 2005.

At present, the Group generally finances its operations and investment activities with internally generated cash flows and the convertible bonds. Excess cash held by the Group is generally placed in licensed banks in Hong Kong.

CAPITAL STRUCTURE

The change in the issued share capital was due to the issue of 26,300,000 new ordinary shares, exercise of share options granted of 1,700,000 shares and repurchase and cancellation of 290,000 shares during the period.

The Company issued convertible bonds to independent third parties in May 2005 with a term of two years to May 2007 with an interest bearing rate of 4.0% per annum. The Company shall repay, unless previously converted or repaid, the outstanding principal amount under the convertible bond in May 2007.

CHARGE ON ASSETS

The Group did not have any charge on its assets as at 30th September, 2005 and 31st March, 2005.

MATERIAL ACQUISITIONS AND DISPOSALS

There were no material acquisitions or disposals of subsidiary and affiliated companies during the six months ended 30th September, 2005.

EMPLOYEES

As at 30th September, 2005, the Group had 19 employees (as at 30th September, 2004: 16). The staff costs for the six months ended 30th September, 2005 was approximately HK\$1,834,000 (for the six months ended 30th September, 2004: approximately HK\$1,579,000). The Group's remuneration, bonus and share option scheme policies are granted based on the performance and experience of individual employees.

MATERIAL INVESTMENT OR CAPITAL ASSETS

As at 30th September, 2005, the Group did not have any plan for material investments or capital assets. Nevertheless, the Group is constantly looking for opportunities for investment or capital assets to enhance shareholder's value.

FOREIGN CURRENCY RISK

The income and expenditure of the Group are mainly in Hong Kong dollars and the assets and liabilities of the Group were denominated in Hong Kong dollars. The Group does not expect significant exposure to foreign exchange fluctuations.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30th September, 2005 and 31st March, 2005.

CONDENSED CONSOLIDATED INCOME STATEMENT*For the three months and for the six months ended 30th September, 2005*

	Notes	Three months ended 30th September,		Six months ended 30th September,	
		2005 (Unaudited) HK\$	2004 (Unaudited) HK\$	2005 (Unaudited) HK\$	2004 (Unaudited) HK\$
Turnover	3	704,134	791,529	1,286,907	2,468,688
Cost of sales		<u>(127,180)</u>	<u>(143,427)</u>	<u>(226,500)</u>	<u>(976,525)</u>
Gross profit		576,954	648,102	1,060,407	1,492,163
Other revenue	3	92,470	68	158,674	147
Selling expenses		<u>(69,801)</u>	<u>(100,314)</u>	<u>(154,348)</u>	<u>(187,546)</u>
Administrative expenses		<u>(1,160,194)</u>	<u>(934,043)</u>	<u>(2,279,851)</u>	<u>(1,823,327)</u>
Other operating expenses		<u>(336,038)</u>	<u>(349,141)</u>	<u>(632,855)</u>	<u>(755,351)</u>
Operating loss	4	<u>(896,609)</u>	<u>(735,328)</u>	<u>(1,847,973)</u>	<u>(1,273,914)</u>
Finance costs	5	<u>(50,000)</u>	–	<u>(70,968)</u>	–
Share of loss of associated company		<u>(401,940)</u>	–	<u>(838,364)</u>	–
Loss before taxation		<u>(1,348,549)</u>	<u>(735,328)</u>	<u>(2,757,305)</u>	<u>(1,273,914)</u>
Taxation	6	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Loss attributable to shareholders		<u>(1,348,549)</u>	<u>(735,328)</u>	<u>(2,757,305)</u>	<u>(1,273,914)</u>
Loss per share – basic	7	<u>HK 0.32 cent</u>	<u>HK 0.18 cent</u>	<u>HK 0.66 cent</u>	<u>HK 0.32 cent</u>
Loss per share – diluted	7	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September, 2005

		30th September, 2005 (Unaudited)	31st March, 2005 (Audited)
	<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>
Non-current assets			
Fixed assets	9	95,263	103,621
Investments in an associated company	10(a)	4,730,989	5,569,353
Loan receivables from an associated company	10(b)	1,850,436	–
		<u>6,676,688</u>	<u>5,672,974</u>
Current assets			
Loan receivables from an associated company	10(b)	–	1,850,436
Accounts receivable	11	99,520	30,080
Deposits and prepayments		10,644,382	221,945
Cash and bank balances		7,604,842	4,683,667
		<u>18,348,744</u>	<u>6,786,128</u>
Current liabilities			
Accounts payable	12	5,730	5,370
Accrued expenses		211,199	239,287
Receipts in advance		329,182	124,905
		<u>546,111</u>	<u>369,562</u>
Net current assets		<u>17,802,633</u>	<u>6,416,566</u>
Total assets less current liabilities		<u>24,479,321</u>	<u>12,089,540</u>
Convertible bonds	14	<u>4,622,527</u>	–
Total net assets		<u>19,856,794</u>	<u>12,089,540</u>
Capital and reserves			
Share capital	13	4,277,100	4,000,000
Reserves		15,579,694	8,089,540
		<u>19,856,794</u>	<u>12,089,540</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30th September, 2005*

	Six months ended	
	30th September,	
	2005	2004
	(Unaudited)	(Unaudited)
	<i>HK\$</i>	<i>HK\$</i>
Net cash used in operating activities	(12,969,240)	(1,668,039)
Net cash generated from/(used in) investing activities	814,297	(13,863)
Net cash generated from financing activities	15,076,118	—
Increase/(decrease) in cash and cash equivalents	2,921,175	(1,681,902)
Cash and cash equivalents at 1st April	4,683,667	9,486,992
Cash and cash equivalents at 30th September	<u>7,604,842</u>	<u>7,805,090</u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<u>7,604,842</u>	<u>7,805,090</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30th September, 2005*

	Share capital (Unaudited) HK\$	Share premium (Unaudited) HK\$	Merger reserve (Unaudited) HK\$	Capital surplus (Unaudited) HK\$	Convertible bond reserve (Unaudited) HK\$	Accumulated losses (Unaudited) HK\$	Total (Unaudited) HK\$
Balance as at							
1st April, 2004	4,000,000	15,195,487	8,320,333	-	-	(13,654,766)	13,861,054
Loss for the period	-	-	-	-	-	(1,273,914)	(1,273,914)
Balance as at							
30th September, 2004	<u>4,000,000</u>	<u>15,195,487</u>	<u>8,320,333</u>	<u>-</u>	<u>-</u>	<u>(14,928,680)</u>	<u>12,587,140</u>
Balance as at							
1st April, 2005	4,000,000	15,195,487	8,320,333	1,498,659	-	(16,924,939)	12,089,540
Loss for the period	-	-	-	-	-	(2,757,305)	(2,757,305)
Issue of shares	263,000	10,257,000	-	-	-	-	10,520,000
Exercise of share options	17,000	62,900	-	-	-	-	79,900
Convertible bond issuing expenses	-	(100,000)	-	-	-	-	(100,000)
Share issue expenses	-	(329,582)	-	-	-	-	(329,582)
Repurchase of shares	(2,900)	(91,300)	-	-	-	-	(94,200)
Equity component for the convertible bonds issued during the period (Note 14)	-	-	-	-	448,441	-	448,441
Balance as at							
30th September, 2005	<u>4,277,100</u>	<u>24,994,505</u>	<u>8,320,333</u>	<u>1,498,659</u>	<u>448,441</u>	<u>(19,682,244)</u>	<u>19,856,794</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated in the Cayman Islands on 23rd May, 2002 with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. The shares of the Company were successfully listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15th November, 2002.

The principal activities of the Company is investment holding. The Group was principally engaged in the operation of financial website, production of financial programmes and videos and the provision of financial information and investor education.

2. BASIS OF PREPARATION

- (i) Adoption of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("New HKFRSs")

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of New HKFRSs which are effective for accounting periods beginning on or after 1st January, 2005. The Group has adopted the New HKFRSs in the preparation of accounts for the period from 1st April, 2005 onward. The comparative financial statements for 2005 have been restated in accordance with the relevant requirements of the New HKFRSs, if applicable.

The adoption of Hong Kong Financial Reporting Standards 2 – Share-based Payments ("HKFRS 2") has resulted in a change in accounting policy for share options. Prior to this, the provision of share options to employees and directors did not result in a charge to the profit and loss account. Following the adoption of HKFRS 2, the fair value of share options at grant date is amortized over the relevant vesting periods to the profit and loss account. The Company has not applied the HKFRS 2 retrospectively as share options of the Company granted after 7th November, 2002 had vested at 1st April, 2005.

The adoption of other New HKFRS does not result in substantial changes to the Group's accounting policies except presentation and disclosure of the accounts will be effected on the 2006 half year and annual reports.

- (ii) The unaudited condensed financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31st March, 2005 except for the matter as referred to Note 2 (i) above.

All significant inter-company transactions and balances between the group companies have been eliminated on consolidation.

3. SEGMENT INFORMATION

The Group is principally engaged in providing real-time financial news and up-to-date financial market commentaries and recommendations through multimedia, financial programme and video production services, and financial seminars and courses. In accordance with the Group's operating activities, the primary segment reporting is by business segments. No analysis by geographical segment is presented as the Group's turnover and results are substantially derived from Hong Kong.

The following tables present revenue, results and expenditure information for the Group's business segments.

Segment revenue and results for the six months ended 30th September, 2005 and 2004:

	Financial information		Financial programme and video production		Financial seminars and courses		Group	
	2005 (Unaudited) HK\$	2004 (Unaudited) HK\$	2005 (Unaudited) HK\$	2004 (Unaudited) HK\$	2005 (Unaudited) HK\$	2004 (Unaudited) HK\$	2005 (Unaudited) HK\$	2004 (Unaudited) HK\$
Turnover	<u>725,947</u>	<u>684,088</u>	<u>-</u>	<u>653,400</u>	<u>560,960</u>	<u>1,131,200</u>	<u>1,286,907</u>	<u>2,468,688</u>
Segment results	<u>631,747</u>	<u>632,862</u>	<u>-</u>	<u>85,000</u>	<u>428,660</u>	<u>774,301</u>	1,060,407	1,492,163
Other revenue							158,674	147
Unallocated costs							<u>(3,067,054)</u>	<u>(2,766,224)</u>
Operating loss							(1,847,973)	(1,273,914)
Finance costs							(70,968)	-
Share of loss of associated company							<u>(838,364)</u>	<u>-</u>
Loss before taxation							(2,757,305)	(1,273,914)
Taxation							<u>-</u>	<u>-</u>
Loss attributable to shareholders							<u>(2,757,305)</u>	<u>(1,273,914)</u>

There are no significant sales or other transactions between the business segments.

4. OPERATING LOSS

Operating loss is stated after crediting and charging the following:

	Three months ended		Six months ended	
	30th September,		30th September,	
	2005	2004	2005	2004
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$	HK\$	HK\$	HK\$
Crediting:				
Interest income	25,971	68	34,174	147
Management fee	66,500	–	124,500	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Charging:				
Auditors' remuneration	22,500	22,500	45,000	45,000
Depreciation of fixed assets	17,161	47,600	34,055	97,685
Directors' remuneration	528,000	378,000	956,000	838,720
Operating leases in land and buildings	142,560	129,600	285,120	157,440
Retirement benefit costs	26,967	18,472	53,475	34,537
Staff costs	382,679	367,281	824,812	705,870
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

5. FINANCE COSTS

	Three months ended		Six months ended	
	30th September,		30th September,	
	2005	2004	2005	2004
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$	HK\$	HK\$	HK\$
Interest expense for convertible bonds wholly repayable within five years	50,000	–	70,968	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

6. TAXATION

The Group's business is operated in Hong Kong and is subject to Hong Kong profits tax at the rate of 17.5%. No provision for Hong Kong profits tax has been made, as the Group has no estimated assessable profits for the three months (2004: Nil) and for the six months (2004: Nil) ended 30th September, 2005.

No provision for deferred taxation has been recognised in respect of the tax losses as this has not yet been agreed with the Inland Revenue and it is not certain that they can be utilised in the foreseeable future.

7. LOSS PER SHARE

The calculation of the basic loss per share for the three months and six months ended 30th September, 2005 is based on the unaudited consolidated net loss attributable to shareholders of HK\$1,348,549 (2004: HK\$735,328) and HK\$2,757,305 (2004: HK\$1,273,914) respectively and on the weighted average number of 427,885,109 (2004: 400,000,000) and 420,148,798 (2004: 400,000,000) issued ordinary shares for the three months and six months ended 30th September, 2005 respectively.

No diluted loss per share for the three months (2004: Nil) and six months (2004: Nil) ended 30th September, 2005 has been presented as the Company has no dilutive potential shares.

8. DIVIDENDS

No dividends have been paid or declared during the three months (2004: Nil) and six months (2004: Nil) ended 30th September, 2005.

9. FIXED ASSETS

	(Unaudited) HK\$
Cost	
At 1st April, 2005	2,358,473
Additions	25,697
	<hr/>
At 30th September, 2005	2,384,170
	<hr/>
Accumulated depreciation	
At 1st April, 2005	2,254,852
Charge for the period	34,055
	<hr/>
At 30th September, 2005	2,288,907
	<hr/>
Net book value	
At 30th September, 2005	95,263
	<hr/>
At 31st March, 2005	103,621
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10. INVESTMENTS IN AN ASSOCIATED COMPANY

(a) Interests in an associated company

This represents the share of net assets of the unlisted associated company. Details of the Group's associated company are as follows: –

Name	Percentage held	Principal activities	Place of operation
神州速達導航 通信資訊(北京) 有限公司	49%	Provision of various value-added services, including financial information relating to Hong Kong, to telecommunication users through the media channels in the PRC	People's Republic of China

(b) Loan receivables from an associated company

The loan receivables is unsecured, bearing interest at the rate of 5% per annum. During the period, a supplemental agreement was signed on 4th November, 2005 pursuant to which the repayment date of the loan and the interests incurred therein has been extended to 4th November, 2006 and therefore, the balance is classified as a non-current asset.

11. ACCOUNTS RECEIVABLE

Details of the ageing analysis are as follows:

	30th September, 2005 (Unaudited) HK\$	31st March, 2005 (Audited) HK\$
0 to 30 days	<u>99,520</u>	<u>30,080</u>

The Group generally granted credit period to its customers from 7 days to 30 days (31st March, 2005: 7 days to 30 days).

12. ACCOUNTS PAYABLE

Details of the ageing analysis are as follows:

	30th September, 2005 (Unaudited) HK\$	31st March, 2005 (Audited) HK\$
0 to 30 days	<u>5,730</u>	<u>5,370</u>

13. SHARE CAPITAL

	30th September, 2005 (Unaudited)		31st March, 2005 (Audited)	
	Number of Shares	Nominal value HK\$	Number of Shares	Nominal value HK\$
Authorised:				
Ordinary shares of HK\$0.01 each	<u>1,000,000,000</u>	<u>10,000,000</u>	<u>1,000,000,000</u>	<u>10,000,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.01 each	<u>427,710,000</u>	<u>4,277,100</u>	<u>400,000,000</u>	<u>4,000,000</u>

14. CONVERTIBLE BONDS

In May 2005, the Company issued convertible bonds with a nominal value of HK\$5 million. These bonds bear interest at a rate of 4.0% per annum and mature in May 2007.

The bondholder has the right to convert the whole or part of the nominal value of the convertible bonds into the shares of the Company before maturity at conversion price of HK\$0.42 per share.

The fair values of the liability component and the equity conversion component were determined at the date of issuance of the bonds based on the discounted rate of 9% per annum.

The fair value of the liability component, included in long-term borrowings, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in other reserves in shareholder' equity, net of deferred income taxes.

The convertible bonds recognised in the balance sheet is calculated as follows:

	30th September, 2005 (Unaudited) HK\$	31st March, 2005 (Audited) HK\$
Nominal value of convertible bonds issued in May 2005	5,000,000	–
Equity component upon initial recognition	<u>(448,441)</u>	<u>–</u>
Liability component upon initial recognition	4,551,559	–
Interest expense (Note 5)	<u>70,968</u>	<u>–</u>
Liability component, at fair value, at the end of the period/year	<u><u>4,622,527</u></u>	<u><u>–</u></u>

15. RELATED PARTY TRANSACTIONS

Significant related party transactions, which were carried out in the normal course of the Group's business, are as follows:

	Three months ended		Six months ended	
	30th September,		30th September,	
	2005	2004	2005	2004
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Loan receivable from an associated company (Note 10(b))	<u>1,850,436</u>	<u>–</u>	<u>1,850,436</u>	<u>–</u>

The Directors are of the opinion that the above transactions were conducted after arm's length negotiation in the ordinary course of business and on normal commercial terms or on terms that are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

OTHER INFORMATION

Interests and Short Positions of Directors and Chief Executives in Shares and Underlying Shares and Debentures

As at 30th September, 2005, the interests and short positions of the Directors and the chief executives of the Company in the shares and underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") (Chapter 571 of the Laws of Hong Kong)) which (a) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred therein; or (c) were required to be notified to the Company and the Stock Exchange, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Name of Director	Number of shares held				Number of underlying shares			Aggregate interests	Approximate percentage of the issued share capital of the Company
	Personal interests	Corporate interests	Family interests	Other interests	Total interests in shares	Pre-IPO Share Option Scheme	Share Option Scheme		
Chan Tan Lui, Danielle	240,000	107,079,195 (Note)	-	-	107,319,195	2,500,000	4,000,000	113,819,195	26.61%
Choo Kwok How	-	-	-	-	-	1,500,000	2,000,000	3,500,000	0.82%
Yip Tai Him	-	-	-	-	-	-	400,000	400,000	0.09%
Guo Qi	-	-	-	-	-	-	400,000	400,000	0.09%

Note: These shares are held by Superhero Limited, which is wholly and beneficially owned by Ms. Chan Tan Lui, Danielle.

Save as disclosed above, none of the Directors or the chief executives has any interests or short positions in the shares and underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director is taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred therein; or (c) were required to be notified to the Company and the Stock Exchange, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules as at 30th September, 2005.

Interests and Short Positions of Shareholders in Shares and Underlying Shares

As at 30th September, 2005, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors, the following persons (other than the Directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO and Section 336 of the SFO or, who were or were expected, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of Shareholder	Capacity	Number of shares held		Number of underlying shares		Approximate percentage of the issued share capital of the Company	
		Interests in shares		Pre-IPO Share Option Scheme	Share Option Scheme		Aggregate interests
Superhero Limited (Note)	Beneficial owner	107,079,195		-	-	107,079,195	25.04%
Chan Tan Lui, Danielle (Note)	Beneficial owner & interest of a controlled corporation	107,319,195		2,500,000	4,000,000	113,819,195	26.61%
Fu Shing Ki	Beneficial owner	97,001,144		-	-	97,001,144	22.68%
Chan Wong Kam Fung, Cecilia	Beneficial owner	71,265,798		-	-	71,265,798	16.66%

Note: Superhero Limited is a company wholly and beneficially owned by Ms. Chan Tan Lui, Danielle. By virtue of the SFO, Ms. Chan Tan Lui, Danielle, is deemed to have interest of 107,079,195 shares held by Superhero Limited in addition to 240,000 shares held by herself.

Save as disclosed above, as at 30th September, 2005, so far as is known to, or can be ascertained after reasonable enquiry by the Directors, no other person (other than the Directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO and Section 336 of the SFO or, who were or were expected, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Share Option Schemes

Prior to the listing of the Company's shares on GEM, the Board was authorised to grant options to certain directors, a consultant, a management shareholder and certain employees of the Group to subscribe for an aggregate of 20,000,000 ordinary shares in the Company, representing 4.7% of the shares of the Company in issue as at 30th September, 2005, under the terms of the pre-IPO share option scheme on 28th October, 2002 (the "Pre-IPO Share Options Scheme") and the price payable for each share on exercise of such options granted is HK\$0.21, representing 70% of the offer price per share of the Company to the public.

Particulars of the outstanding options which have been granted under the Pre-IPO Share Option Scheme as at 30th September, 2005 were as follows:

Name or category of participant	Date of grant	Exercisable period	Exercise price per share	Number of share options					At 30th September, 2005
				At 1st April, 2005	Options granted during the period	Options exercised during the period	Options lapsed during the period ⁽²⁾	Options cancelled during the period	
HK\$									
<i>Directors</i>									
Chan Tan Lui, Danielle	28th October, 2002	15th November, 2003 to 14th November, 2005 ⁽¹⁾	0.21	2,500,000	-	-	-	-	2,500,000
Choo Kwok How	28th October, 2002	15th November, 2003 to 14th November, 2005 ⁽¹⁾	0.21	1,500,000	-	-	-	-	1,500,000
<i>Consultant</i>									
Chan Wing Luk	28th October, 2002	15th November, 2003 to 14th November, 2005 ⁽¹⁾	0.21	2,500,000	-	-	-	-	2,500,000
<i>Other employees</i>									
In aggregate	28th October, 2002	15th November, 2003 to 14th November, 2005 ⁽¹⁾	0.21	1,600,000	-	-	-	-	1,600,000
				8,100,000	-	-	-	-	8,100,000

- (1) Under the terms of the options granted under the Pre-IPO Share Option Scheme, these options can only be exercised by the grantees in the following manner:

Commencement date when the options become exercisable	Proportion of options granted under the Pre-IPO Share Option Scheme that can be exercised
the date falling 12 months after 15th November, 2002 (the "Listing Date")	50%
the date falling 18 months after the Listing Date	25%
the date falling 24 months after the Listing Date	25%

- (2) In accordance with the Pre-IPO Share Option Scheme, the grantee of an option ceases to be an Eligible Participant due to termination of relationship with the Company or its Subsidiaries. The grantee may exercise the option up to his entitlement at the date of cessation of his relationship within the period of three months following the date of such cessation.

On 28th October, 2002, the Company conditionally adopted a further share option scheme (the "Share Option Scheme") whereby full-time employees, executive or officers, directors of the Group and any suppliers, contractors, consultants, agents and/or advisers who, in the absolute determination of the Directors, will contribute or have contributed to the Group may be granted options to subscribe for shares of the Company. The Share Option Scheme became unconditional upon the listing of the Company's shares on GEM on 15th November, 2002. Details of the Share Option Scheme have been set out in the annual report of the Company dated 23rd June, 2005.

Particulars of the outstanding options which have been granted under the Share Option Scheme as at 30th September, 2005 were as follows:

Name or category of participant	Date of grant	Exercisable period	Exercise price per share	Number of share options					At 30th September, 2005
				At 1st April, 2005	Options granted during the period	Options exercised during the period	Options lapsed during the period ⁽¹⁾	Options cancelled during the period	
<i>HK\$</i>									
<i>Directors</i>									
Chan Tan Lui, Danielle	17th March, 2004	17th September, 2004 to 16th March, 2014	0.047	4,000,000	-	-	-	-	4,000,000
Choo Kwok How	17th March, 2004	17th March, 2005 to 16th March, 2014	0.047	2,000,000	-	-	-	-	2,000,000
Guo Qi	17th March, 2004	17th September, 2004 to 16th March, 2014	0.047	400,000	-	-	-	-	400,000
Yip Tai Him	17th March, 2004	17th September, 2004 to 16th March, 2014	0.047	400,000	-	-	-	-	400,000
<i>Other employees</i>									
In aggregate	17th March, 2004	17th March, 2005 to 16th March, 2014	0.047	9,900,000	-	(1,700,000)	(200,000)	-	8,000,000
<i>Other Eligible Participants</i>									
In aggregate	17th March, 2004	17th March, 2005 to 16th March, 2014	0.047	600,000	-	-	-	-	600,000
				17,300,000	-	(1,700,000)	(200,000)	-	15,400,000

- (1) In accordance with the Share Option Scheme, the grantee of an option ceases to be an Eligible Participant due to termination of relationship with the Company or its Subsidiaries, the grantee may exercise the option up to his entitlement at the date of cessation of his relationship within the period of three months following the date of such cessation.

During the period, 200,000 share options were lapsed upon the resignation of employee.

- (2) The weighted average share price at the date of exercise is HK\$0.415 per share.

Competing Interests

None of the Directors or the management shareholders of the Company (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the businesses of the Group.

Advances and financial assistance to an associated company

As at 30th September, 2005, the aggregate advances and financial assistance provided by the Group to 神州速達導航通信資訊(北京)有限公司 (China Star Navigation Communication Information (Beijing) Co., Ltd.) (the "Associated Company") amounted to RMB1,960,000 (equivalent to approximately HK\$1,850,436), representing approximately 14.9% of the audited total assets of the Group as at 31st March, 2005.

The advance to the Associated Company was made on 5th November, 2004 and is unsecured, bearing interest at the rate of 5% per annum. During the period, a supplemental agreement was signed on 4th November, 2005 pursuant to which the repayment date of the loan and the interests incurred therein has been extended to 4th November, 2006

The above advance was funded by internal resources of the Group and was made for the purpose of providing general working capital to the Associated Company.

The condensed unaudited balance sheet of the Associated Company as at 30th September, 2005 is set out as follows:

	<i>HK\$'000</i>
Non-current assets	6,931
Current assets	5,216
Current liabilities	(2,492)
	<hr/>
Net assets	9,655
	<hr/>
The group's share of net assets	4,731
	<hr/>

Purchase, Sales or Redemption of shares

During the period under review, the Company repurchased its own shares on GEM as follows:

Month of repurchase	Number of shares repurchased	Price per share		Aggregate consideration paid
		Highest HK\$	Lowest HK\$	
August 2005	200,000	0.330	0.315	64,500
September 2005	90,000	0.330	0.330	29,700
	<u>290,000</u>			<u>94,200</u>

The above shares were cancelled upon repurchases and accordingly the issued share capital of the Company was reduced by the par value of these shares amounted to HK\$2,900. An aggregate amount of approximately HK\$91,300 equivalent to the premium portion and brokerage expenses payable on the repurchases was charged against the share premium account.

Apart from the repurchases of shares as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares on GEM during the six months ended 30th September, 2005.

Audit Committee

The Company has established an audit committee on 28th October, 2002 with written terms of reference based on the guidelines set out in "A Guide for the Formation of an Audit Committee" of the Hong Kong Institute of Certified Public Accountants. It comprises three independent non-executive directors, namely Mr. Yip Tai Him, Mr. Chiu Kwok Ching and Ms. Guo Qi. The primary duties of the audit committee are to review the Company's annual report and accounts, half-yearly reports and quarterly reports and to provide advices and comments thereon to the Board. In addition, the audit committee considers any significant and unusual items that are, or may need to be, reflected in such reports and accounts and gives due consideration to any matters that have been raised by the Company's qualified accountant, compliance officer and auditors. The audit committee is also responsible for reviewing and supervising the financial reporting process and the Group's internal control system.

The audit committee has reviewed the accounting principles and practices adopted by the Company and discussed internal controls and financial reporting matters including a review of the unaudited interim report for the six months ended 30th September, 2005.

Code on Corporate Governance Practices

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices ("Code on CG Practices") contained in Appendix 15 to the GEM Listing Rules during the six months ended 30th September, 2005.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted a Code of Conduct regarding Securities Transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Code of Conduct"). Having made specific enquiry of the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Code of Conduct during the six months ended 30th September, 2005.

By the order of the Board
Chan Tan Lui, Danielle
Chairman

As at the date of this report, the Board comprises of:

Ms. Chan Tan Lui, Danielle (*Executive director and Chairman*)
Mr. Choo Kwok How (*Executive director*)
Ms. Zhang Jialin (*Executive director*)
Mr. Guo Qi (*Independent non-executive director*)
Mr. Yip Tai Him (*Independent non-executive director*)
Mr. Chiu Kwok Ching (*Independent non-executive director*)

Hong Kong, 10th November, 2005